

Katalysis Partnership, Inc.

**Partnership Principles, Practices and Methodology:
A Southern Perspective**

Katalysis Evaluation Report
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Executive summary

This study of partnership was conducted in the context of an organization that values partnership so much that it has included the term in its name: the Katalysis Partnership. For Katalysis, partnership is a set of relationships governed by mutually agreed upon values, principles, policies and mechanisms. This evaluation explores the effect partnership relationships have had on members of the Katalysis network and how these relationships have shaped service delivery to clients.

The *main purpose* of this evaluation is to conduct an in-depth study of Katalysis's partnership methodology as it has been developed and implemented. In the past, partnership has typically been designed and evaluated on northern terms. This study seeks to present the southern perspective. A *secondary purpose* of the evaluation is to provide an objective articulation of the methodology for potential future use in support of replication in other regions and to make recommendations for any improvements in the partnership methodology.

The research methodology included an initial workshop, followed by interviews in the field. The initial results of the fieldwork were validated in a second workshop, and then presented to the Katalysis Management Team and the Executive Committee. This research methodology incorporates many elements of participatory evaluation.

Key findings on the southern perspective of the Katalysis partnership are:

1. Southern partners see client benefit as a result of participating in the partnership. In addition to technical skills that improve service delivery, partnership values, such as respect and trust, are reflected in relationships between staff and beneficiaries.
2. The partnership provides differentiated benefit streams depending on the stage of organizational life cycle of the partner. The relative importance of different partnership benefits varies according to the characteristics of an organization and an organization's tenure as a partner. As the network grows, it may become increasingly difficult to meet the varied needs of diverse partners.
3. Partnership values are inculcated through a broad range of mechanisms, some of which are considerably more effective than others. Among the most effective are partner-to-partner exchanges, professional development activities and board meetings.
4. Partners are pleased with Katalysis's achievements in a broad range of activities including strengthening service delivery, providing technical assistance, mobilizing resources, and representing the partnership to international donors. An emerging area where partners would like to see more activity is advocacy.

5. Partners feel the network provides benefits of significant value and they are willing to invest some of their own resources to maintain it once external resources are no longer available. However, at the same time, they have concerns about the long-term financial sustainability of an independent Central American Network

The following recommendations reflect suggestions by the partners themselves, as well as the conclusions of the researchers.

PLANNING FOR NETWORK GROWTH

1. Clarify the vision for the partnership's growth. Determine what kind of organization constitutes the network's primary clientele. Large or small? Nascent or established? Identify the tensions between the needs of distinct clienteles and determine the degree of heterogeneity that the network can support with current and projected resource levels.
2. Explore opportunities for building new skills, including advocacy. Identify the unique insights that Katalysis brings to the policy arena as a network with regional scope. Among the advocacy opportunities identified by Katalysis, select those issues of highest priority and prepare position papers or similar collateral materials in order to enhance the effectiveness of advocacy efforts. Determine how Katalysis can best coordinate its efforts with national networks.

MECHANISMS FOR CREATING AND SUSTAINING PARTNERSHIP VALUES

3. Maintain and expand powerful partnership mechanisms such as partner-to-partner exchanges, professional development opportunities such as the *diplomado*, and face-to-face meetings. Develop under-utilized partnership mechanisms, such as the probationary year, and make their partnership-building purpose explicit.
4. Recast the role of the RFO director to include the promotion of technical excellence in partnership, as well as in microfinance. Ensure that the values of partnership are understood and applied at all levels of the RFO. Develop new techniques for confronting the challenge of partnership indicators.

SUSTAINABILITY OF THE CENTRAL AMERICAN NETWORK

5. Cultivate leadership skills in the RFO director as well as in partner directors. Establish a mechanism for group dialogue among partner directors that allows them to communicate directly with other network components such as Katalysis/USA or the RFO.
6. Plan and implement the Microfinance Institute to build essential human resources as well as network identity.

7. Conduct a feasibility study of various financial scenarios for the RFO and establish the RFO's core mission. Identify markets within the partnership and beyond the membership and determine which products that are most marketable. Consider the extent to which the RFO will function as a secretariat, or central administrative body, for an independent Central American Network, and determine required changes in the structure of the RFO based on these decisions.
8. Given the demonstrated impact of the partnership model as practiced by Katalysis, identify effective means to disseminate key lessons to a broader audience within the development community.

Description of Activities and Results to be Evaluated

This study of partnership was conducted in the context of an organization that values partnership so much that it has included the term in its name: the Katalysis Partnership. For Katalysis, partnership is a set of relationships governed by mutually agreed upon values, principles, policies and mechanisms. This evaluation explores the effect partnership relationships have had on members of the Katalysis network and how these relationships have shaped service delivery to clients. The evaluation is strategic in Katalysis's efforts to articulate its partnership methodology for future replication elsewhere and to suggest possible modifications for the ongoing evolution of the methodology.

Katalysis Partnership, a PVO based in Stockton, California, along with its field office in Honduras, Katalysis/Honduras, has been a leader in the field of partnership. Since 1989, the northern and southern staffs have built a deep commitment to a set of core organizational values rooted in partnership. Further, Katalysis has sought to share these organizational values with its Partners by:

- (1) Incorporating them on the Katalysis Board of Directors,
- (2) Creating a Partner Directors Board that is evolving into the leadership for the southern Central American Network,
- (3) Promoting lateral learning via "joint" trainings involving the appropriate staff members from each partner organization, which maximizes regional exchange, builds bonds of professional support, and takes advantage of the breadth of day-to-day experience in the group.

As noted at the outset, the "activity" or strategy to be evaluated is **partnership** as Katalysis practices it. The activities and intensive relationship building that have gone on during the past twelve years have been primarily supported through USAID's Matching Grant Program, with counterpart funding coming from both the Katalysis Board and more recently from the Inter-American Development Bank's Multilateral Investment Fund (IDB/MIF). Katalysis is now coming to the close of the IDB/MIF grant and the third matching grant (MG3). The management and staff of Katalysis want to know how its Partners assess this experience.

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Evaluation Report

Background

Since its inception in 1984, Katalysis has worked through indigenous NGOs in developing countries. Katalysis provides services to these NGOs which, in turn, offer microfinance services to their target populations. With funds from the first Matching Grant (MG1, which spanned FY1991-1993), the executive directors of these local NGOs were invited to participate in occasional meetings designed to foster mutual support and exchange among attendees. These early meetings provided the catalyst for promoting a Partner Directors' Board for southern partner directors under MG2 (FY1994 – 1998). MG2 also supported the creation of training events through the mechanism of Partnership exchanges. Although these exchanges featured professional trainers, the participants were invited and expected to share their own questions and experience.

In addition to the formal training events, partners were further supported, under the grant, to share their own expertise with one another through direct exchanges where staff members from one partner organization went to train staff members at another partner organization in an area of strength. Partnership, having originated as a support group notion, became a way of operating and extending training. By the end of MG2, the notion of Partnership was so deeply embedded in the psyche of Katalysis staff that it informed the reframing of the mission and vision of Katalysis for the future. The strong sense of mutual respect between Katalysis USA and the eleven current partners, and the bonds among the partners themselves, are the foundation of Katalysis's core partnership values: sustainability, integrity, accountability, social responsibility, and excellence.

The Partner Directors' Board has since become a formal committee of the Katalysis Board of Directors (1997) and meets three times per year. Having completed a 90-hour university-certified leadership training course, the southern members have taken on a more prominent role, increasingly providing leadership and participating in their own self-governance as a network. During MG3, the Partners have instituted formalized mechanisms to help underwrite partnership expenses by member cost sharing. The network's sustainability and future structure is contingent upon the perceived and real value to the participants.

This study attempts to articulate that perceived and real value of partnership in order to confirm for Katalysis and its Board the extent to which the commitment to partnership is (a) valued by the Partners, (b) effective as a way of promoting development outcomes, and (c) responsive to country-level needs.

Purpose

The *main purpose* of this evaluation is to conduct an in-depth study of Katalysis's partnership methodology as it has been developed and implemented. In the past, partnership has typically been designed and evaluated on northern terms. In this study the southern perspective is the focus. Katalysis and its funders sought documentation on not only the mechanisms Katalysis has designed to foster and sustain its Partner network, but also how participation in this set of values, principles, standards and practices truly affects the Partners and their services. A *secondary purpose* of the evaluation is to provide an objective articulation of the methodology for potential future use in support of replication in other regions and to make recommendations for improvements in the methodology.

Methodology

The research methodology included an initial workshop, in conjunction with the Katalysis Board of Directors' Meeting in San Pedro Sula, Honduras, from March 19-21, 2001. The research team attended the board meeting as observers and subsequently facilitated an interactive workshop with the full board and the Partner Directors. Through this process, the researchers validated and customized protocols that had been designed in advance, and initiated the process of data collection. Data collection continued over the following two weeks with a series of key informant interviews conducted with the Executive Directors and other key staff from organizations in Honduras and Guatemala. *(For evaluation questions and research protocols please see Appendices 1 and 2.)* The initial results of the fieldwork were presented to the Partner Directors at their May meeting, where the findings were vetted and refined. Subsequently, the research results were presented to the Management Team and the Executive Committee of the Board of Directors of Katalysis USA.

By consulting with key stakeholders, gathering empirical data, vetting findings in multiple settings, and emphasizing the learning process, this research methodology incorporates many principles of participatory evaluation. *(For a further discussion of participatory evaluation, please see Appendix 3.)*

Key Findings

1. Southern partners see client benefit as a result of participating in the partnership.

Southern partners affirmed that they are stronger organizations as a result of their membership in the Katalysis Partnership. They are able to provide better products and services, which in turn create better outcomes for their clients. Organizations cited both technical and relational skills as areas that have been enhanced by their experience within the partnership.

Many of the technical benefits of membership are obvious, but others are more subtle. Southern partners receive technical assistance directly from the RFO and benefit from economies of scale and subsidies within the network. Through partnership, the southern organizations have been exposed to new standards, practices and microfinance products, and received technical and financial support in order to implement this new learning in their own organizations.

A subtle benefit of the partnership is that the partners have more readily accepted criticism and implemented change because the technical assistance was presented in the context of the partnership. The ongoing relationship and the sense of “being in this together” help overcome the resistance to change that is so often encountered in organizations. Several partners reflected that their own openness to change was a key element in the success of the network. They knew that even when it was difficult to hear, the feedback they received from the RFO was intended to strengthen them, not simply to criticize them for the sake of criticizing. The quality of the technical assistance reinforced this benefit. When partners implemented changes and saw that their organizations truly were strengthened by those changes, they were open to further critiques from the RFO, effectively creating a “virtuous” cycle of feedback and improvement. These improvements then translated into higher quality services to their microcredit clients.

Benefits of Partnering for Microcredit Clients

- New microfinance products and services are introduced through partnership technical assistance.
- Organizations are more responsive to technical assistance and capacity-building efforts, leading to improved service delivery.
- Organizations can learn from experienced peers when implementing changes.
- Comparison to an international peer group sets high standards for program quality.
- Exposure to partnership values promotes reflection on organizational values that are mirrored in work with clients.

In addition to overcoming resistance to change, the partnership supported organizations as they attempted to transform new knowledge and new behaviors. Countless examples from the body of Change Theory literature make it clear that new skills sets do not necessarily translate into new actions and behaviors. As southern members implemented new practices, the partnership provided resources ranging from an ongoing monitoring relationship with the RFO to a network of peers who might be grappling with the same issues or have experience addressing them in their own organizations. The partnership also provided accountability. Within the network, the partners share data for key microfinance indicators. Several partner directors commented that they did not want to

let the partnership down, by failing to meet or uphold the “best practice” standards. Thus, this mutual accountability enhanced the effectiveness of the partnership’s technical support by encouraging partners to follow through on implementation.

Southern directors value the relational aspects of the partnership as well. They comment that having a direct connection with peer organizations, which they have come to know well, is a source of inspiration and motivation, as well as an opportunity for learning. In addition to these direct benefits, directors also reported that interactions with the partners help them internalize the values of partnership at the network level, and model behaviors that are also relevant—in fact, necessary—for good microfinance. At the most basic level, partners feel that they can only empower their clients through microcredit if their organizations are empowered in their relationship with Katalysis. Similarly, partners feel that just as they teach their clients to be responsive to customer needs, Katalysis should continue to strive to respond to the needs of its clients, the southern partners. Partners also mentioned solidarity and competition as values that must be balanced in the partnership and in microcredit activities.

Partnership Values and Service Delivery: A Partner Speaks

Partnership values have to trickle down in the organization. How can we sit at a table with our partners and discuss solidarity if our employees go out in the field and compete for clients?

Competition is a value of partnership. It can be positive if it pushes you to improve, but it must be balanced with other values such as solidarity. As a partnership organization, you have to reflect on ways to apply the values at all levels, including network, organization, and client.

One staff member from a partner organization illustrated this point with an example. “If one of our clients has a small store, and a customer comes in while we are conducting a visit, we stop our conversation and let her wait on the customer because we stress that attention to the customer is essential. Similarly, when Katalysis RFO staff come to visit, they do not ask us to change what we have scheduled for that day. They accompany us as we visit our clients and go about our work.”

When asked if the rigor of the microfinance industry conflicted with the “softer” values of partnership, the directors responded that it did not. In fact, they felt partnership obligated the partners to hold themselves and each other to high standards, first because their reputations were linked through partnership, and secondly because they cared about their fellow partners. To let a partner fail would be to have failed as partners themselves.

2. The partnership provides differentiated benefit streams depending on the stage of organizational life-cycle of the partner

All members of the Katalysis partnership felt that the partnership provided a variety of benefits. However, the particular benefits cited and their relative importance varied according to the characteristics of the organization and the organization’s tenure as a partner. The greatest differentiation was between the newest members (generally large organizations) and older members (generally small to mid-sized organizations). The most important distinction seems to be that the

former group joined Katalysis when they were *already well-established organizations with strong reputations* while the later joined Katalysis as nascent or struggling organizations *and achieved excellence in the course of their relationship with the network*.

For the newest members of the partnership (typically the largest organizations) the areas of greatest value-added from partnership are:

- Prestige
- Professional relationships with other organizations
- Technical assistance

For the older organizations (typically small to medium-sized organizations) the areas of greatest value-added are:

- Mutual support and exchange
- Technical assistance
- Funding

In general terms, the older members value the personalized, focused attention they receive in a smaller partnership while newer members value the connections and prestige of a broader well-recognized network. To some extent, this schism is an artifact of the recent addition of three new (provisional) partners that are all large, well-established microfinance institutions. These organizations reinforce the new/large versus old/small dichotomy, which is not always so clear-cut in real life.

Nevertheless, this gap has important implications for the partnership. Several older partners explained that Katalysis has traditionally served as an incubator for promising young organizations. With Katalysis's guidance, they have matured and established themselves as solid microfinance institutions, and now see themselves as poised to mentor a new generation of up-and-coming organizations. They express concern that the network is expanding to include new organizations at the same time it is at risk of losing two current members who have not met new technical standards.

Even if we never received anything else from Katalysis, we would stay. It is not the same for the new members. How could they possibly feel the way we do? Why should they? They came to the partnership when they were already strong organizations. We owe our very existence to Katalysis.

Katalysis faces a paradox. The benefits that it offers to younger, less experienced organizations derive largely from the fact that there are also strong, well-established members in the partnership. And yet, the benefits that would attract and maintain those larger members may require the partnership to grow in ways (e.g., more members, higher standards) that will threaten its ability to include and support nascent members. Still, if Katalysis fails to attract and retain prestigious organizations as members, its own prestige will fade, and it will be less able to serve nascent—or any other—partners.

Competing Needs: Partnership Tensions

As the Katalysis Partnership grows, it incorporates organizations with varied—and at times competing—needs and desires:

- Younger, less experienced microfinance institutions (MFIs) versus older, well-established MFIs
- Recent partners versus long-time partners
- MFIs that need help meeting basic standards versus MFIs that need advanced technical assistance on innovative topics
- Partners that want intensive relationships with a few organizations versus partners that want a broad, but less personalized network
- MFIs that have internalized Katalysis’s partnership values versus MFIs that are still considering the values and “trying them on for size”

And so, Katalysis is faced with the question of how to deal with a classic case of organizational growing pains. Part of the answer lies in the unique methodology of Katalysis, in particular, its partnership mechanisms.

3. Partnership values are inculcated through a broad range of mechanisms, some of which are considerably more effective than others. Among the most effective are partner-to-partner exchanges, professional development activities, and board meetings.

Building Blocks of Partnership: Key Mechanisms

Most effective:

- Partner-to-partner exchanges
- Microfinance diploma (*diplomado*)
- Partner director meetings
- Annual board meetings

Potentially effective:

- Microfinance training institute
- RFO partnership training
- Probationary year

A network driven by relationships and values must develop mechanisms for transmitting those values to new members. Partner-to-partner exchanges, the degree program (*diplomado*), partner director meetings, and annual board meetings are all key mechanisms that strengthen the partner relationship.

Southern directors highlight partner-to-partner exchanges as an excellent partnership activity that fosters learning between partners and also serves as a great source of motivation. One director explained that in the face of difficulties, it is encouraging “just to know that someone out

there is going through the same things I am day after day.” Partners also express pride in the fact that the exchanges are “horizontal,” demonstrating that the southern partners have an important contribution to make to the partnership as a whole, as well as to each other. Several partners commented that these exchanges model the highest ideals of partnership, including transparency and mutual support. One partner director explained that the sincere happiness that partners feel for the success achieved by another—in the normally competitive world of microfinance—demonstrates the uncommon strength of the bonds they have formed through Katalysis.

Similarly, the training course (*diplomado*) completed by the southern directors was an important opportunity for professional development that also allowed them to build a strong sense of camaraderie. Many directors look forward to the proposed microfinance institute as an important opportunity to build skills in their staff and also expose more members of their organizations to the values of partnership.

Partner director meetings and annual board meetings were almost universally cited as the basic building block of the partnership. However, there seems to be less commitment to the meetings as an important partnership mechanism among the provisional members. At the time of the study, one director had not attended two recent meetings, (although he expressed concern that he had been unable to attend). Another provisional partner questioned whether the meetings are truly necessary in light of the expense and the time they require. He questioned whether they could be condensed into fewer meetings per year or shortened by better planning (e.g., circulating documents ahead of time and discussing them by phone if necessary). In spite of a few reservations, the meetings were viewed as an important mechanism because they bring the entire partnership, north and south, together in person.

An under-utilized partnership mechanism is the RFO. To date, the RFO has done an excellent job in improving the technical skills of many southern partners. However, most directors express concern that the current RFO role of monitoring, reporting and training will not be adequate as the

Safeguarding Partnership Values through Probation: A Case Example

Most organizations become full partners after their probationary year. However, this is not always the case. One organization chose not to join Katalysis after participating in the partnership for a year. Although the organization is considered a strong microfinance institution in its country, Katalysis requested several changes to bring the new organization into line with partnership values.

The organization felt that its board of directors should make such decisions, not an outside entity. Katalysis felt it could not compromise on the issue of partnership values. Therefore, the organization withdrew from the partnership. Although the organization’s decision not to join was disappointing, it was the only option, given the firm positions of both sides.

Today, the organization’s director expresses great respect for the work of the Katalysis Network, saying it was simply not the right fit for his own organization. Since its separation, the former partner has maintained friendly relations with a local Katalysis partner and even considered working with Katalysis in a less rigorous relationship in the future.

Central American Network takes on more responsibility and independence. They feel that the RFO, and the job of the RFO director in particular, must be recast to emphasize visionary leadership. In particular, directors would like to see an RFO that understands and models technical excellence in *partnership* practice, not just *microfinance* practices. The role of the director would be to ensure that the Katalysis philosophy of partnership reaches all levels of the network and is communicated to a broader external audience in the development community.

Finally, the probationary year for new members is an important partnership mechanism, but some members see it as simply a technical safeguard. New partners must comply with technical microfinance standards in order to enter the partnership. One probationary member questioned the need for the subsequent probationary year saying that if the organization met the requirements it should be “in” and certainly if the organization failed to maintain those standards, Katalysis would have the right to end that organization’s membership. However, the comments of other directors reveal the probationary year to be an important time of exploration to see if the values and culture of a new member blend well with those of Katalysis. This “acculturating” purpose of the probationary year should be explained and emphasized to all partners, especially as the network grows and includes new types of organizations that it has not traditionally served.

4. Partners are pleased with Katalysis’s achievements in a broad range of activities including strengthening service delivery, providing technical assistance, mobilizing resources, and representing the partnership to international donors. One emerging area where partners would like to see more activity is advocacy.

The Katalysis Partnership has provided great value to its southern members. Partner directors feel that the network has optimized its levels of activity in areas such as service delivery, technical assistance, resource mobilization and representation to international donors. However, one area where the potential benefits of partnership have not been optimized is political and legislative advocacy.

Advocacy Opportunities at the Country and Regional Level

- Government regulation
- Taxation of interest earned through funds and repayment of loans
- Tax status of NGOs
- Entry of commercial banks into the microfinance sector
- Dollarization

Thoughts on the Changing Policy Context:

“In El Salvador, we will be the first to experience the effects of dollarization. Our experience can help others.”

“The governments see that microfinance is profitable, and now they want to get involved.”

“The commercial banks are strong. We will have to work together as nonprofits to confront the banking industry.”

The policy and legal environments of the countries where Katalysis operates are changing and developing rapidly. New regulatory frameworks, taxation, dollarization, and the entry of private banking institutions into the microfinance arena are issues of concern to the partners. Partners greatly appreciate the recent training on legal and regulatory issues offered by the RFO. Several members suggest that the RFO is well positioned to provide information and data that inform the policy debate. As a prestigious regional network, with credibility in the area of microfinance, Katalysis should carefully consider the extent to which it can serve its partners' interests through advocacy.

5. Partners feel the network provides benefits of significant value and they are willing to invest some of their own resources to maintain it once external resources are no longer available. However, at the same time, they have concerns about the long-term financial sustainability of an independent Central American network

As the Katalysis Partnership moves toward a new stage in its history, one where the southern partners will take significantly more responsibility for the leadership of their network, the southern directors are committed to mobilizing the resources necessary to maintain partnership. They are willing to invest some of their own resources, but do not feel that the amount they can provide would be adequate. They question whether the southern network currently has the leadership and financial resources to be self-sufficient.

The leadership concern is less urgent because it is already being addressed. Although partners do not feel that they are currently ready, they have seen their own leadership skills grow, especially through the *diplomado*, and Katalysis has been responsive to their desire to recast the position of the RFO director as one that involves more dynamic leadership of the southern network.

“Currently, the Katalysis Partnership has very strong leadership in Jerry [Hildebrand]. Katalysis USA must begin the process of building leadership in the South, to ensure a smooth transition to an autonomous Central American Network in the future.”

A more pressing concern is the financial sustainability of the RFO, which most partners assume would serve as a “secretariat” for an autonomous southern network. To date, the RFO has been

“How can we support another organization, such as a secretariat, when we are barely able to sustain ourselves?”

largely underwritten by Katalysis USA. Southern members feel the network is valuable and they are willing to help support it financially at some level, but also feel that whether they want to or not, their organizations are unable to fully subsidize an independent RFO. Since many partners have

only recently achieved self-sufficiency, they are very “price sensitive.” They are aware that some of the most valued partnership mechanisms (e.g., international meetings several times a year) are very expensive.

The most common suggestion is that the RFO sell microfinance support services to achieve self-sufficiency. Many partners feel that this is a promising direction, especially because it would spread the costs of supporting the RFO beyond the relatively small Katalysis network. As a caveat, several organizations pointed out that the RFO is currently not “market oriented” enough to succeed with this strategy. They feel that the RFO must offer innovative training and products in order to compete with other service providers, and that they themselves would go elsewhere if the RFO could not provide the services they required at a competitive cost. However, others mentioned that it is currently difficult to find high-quality technical assistance, and so the RFO has an opportunity to capitalize on its reputation for technical excellence by developing responsive products and capturing a large share of the market.

Paths to RFO Financial Sustainability

- Providing training and technical assistance services to the microfinance sector
- Providing diagnostic and monitoring and evaluation services to the microfinance sector
- Publishing market research and MF sector data
- Researching and producing innovative MF products for the region

Challenges to RFO Financial Sustainability

- Being more market responsive
- Being attractive to a price-sensitive clientele
- Balancing a focus on leadership with provision of technical services

The underlying tension with this approach, is that these potentially profitable activities (e.g., technical assistance, monitoring, training) reinforce the traditional “quality control” role of the RFO at a time when many partners would like to see the RFO break out of that role, and provide more strategic leadership.

Recommendations

Southern perceptions of the Katalysis Partnership are overwhelmingly positive. Partners see real benefits to their organizations and clients as a result of their participation in the network. The southern directors also describe their partnership as a work in progress, an ongoing effort to translate the partnership's values into daily practice. The following recommendations reflect suggestions by the partners themselves as well as the conclusions of the researchers.

PLANNING FOR NETWORK GROWTH

1. Clarify the vision for the partnership's growth. Determine what kind of organization constitutes the network's primary clientele. Large or small? Nascent or established? Identify the tensions between the needs of distinct clienteles and determine the degree of heterogeneity that the network can support with current and projected resource levels.
2. Explore opportunities for building new skills, including advocacy. Identify the unique insights that Katalysis brings to the policy arena as a network with regional scope. Among the advocacy opportunities identified by Katalysis, select those issues of highest priority and prepare position papers or similar collateral materials in order to enhance the effectiveness of advocacy efforts. Determine how Katalysis can best coordinate its efforts with national networks.

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3. Maintain and expand powerful partnership mechanisms such as partner-to-partner exchanges, professional development opportunities such as the *diplomado*, and face-to-face meetings. Develop under-utilized partnership mechanisms, such as the probationary year, and make their partnership-building purpose explicit.
4. Recast the role of the RFO director to include the promotion of technical excellence in partnership, as well as in microfinance. Ensure that the values of partnership are understood and applied at all levels of the RFO. Develop new techniques for confronting the challenge of partnership indicators.

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5. Cultivate leadership skills in the RFO director as well as in partner directors. Establish a mechanism for group dialogue among partner directors that allows them to communicate directly with other network components such as Katalysis/USA or the RFO.
6. Plan and implement the Microfinance Institute to build essential human resources as well as network identity.

7. Conduct a feasibility study of various financial scenarios for the RFO and establish the RFO's core mission. Identify markets within the partnership and beyond the membership and determine which products that are most marketable. Consider the extent to which the RFO will function as a secretariat, or central administrative body, for an independent Central American Network, and determine required changes in the structure of the RFO based on these decisions.
8. Given the demonstrated impact of the partnership model as practiced by Katalysis, identify effective means to disseminate key lessons to a broader audience within the development community.

Conclusion

Partnership, as practiced by Katalysis, is a powerful methodology. The relationships between north and south, as well as among southern partners, are strong and highly valued by partner organizations. Working in partnership provides a range of benefits to a group of diverse members. Benefits include enhanced program quality, technical assistance, and access to information, as well as less tangible benefits such as solidarity and a supportive peer network. The Katalysis Partnership also has the potential to increase its impact by taking on new roles, such as advocacy, and solidifying the Central American Network as a sustainable development actor in the region. Furthermore, the Katalysis experience in Central America provides useful insights to other US PVOs seeking to establish value-driven relationships with their southern partners. The RFO can serve as a resource for organizations that seek to learn from Katalysis's experience in partnership.

Appendix 1: Evaluation Questions

These questions were refined and validated during the Partnership Forum (March 19-21, 2001) with the participation of Katalysis Board of Directors, including northern members and southern Partner Directors.)

What is an accurate description of each network “component,” i.e. of the core groups within the Partnership?

- Southern NGOs
- Katalysis/USA
- Katalysis Regional Field Office RFO

What is the impact of participation in the Partnership on each network component’s service delivery, i.e. is there any “added value” in the delivery of services to clients? If so, what are the details of the “added value?”

How do the values, principles and practices manifest themselves in Partner actions?

To what extent do all the members appreciate the full costs/benefits of Partnership?

What do the various components identify as the costs and benefits associated with partnership as they have experienced them during their membership?

What are the processes associated with network growth and development? Are these perceived as clear, useful, and necessary?

- Recruitment processes – nomination, organizational assessment, interviews, approval process
- Probationary year for the new Partner with clearly articulated expectations: memorandum of understanding (MOU), institutional standards, microcredit best practices, and acceptance of Partnership tenets
- Commitment to standards, values, principles as articulated and approved by the Partner Directors
- Transparency at all operational levels (e.g., sharing of programmatic statistics; finances)
- Initial methods of sustaining the network (e.g. cost-sharing, self-governance, shared leadership)
- Provision for Partner separation from the network

What are the roles, responsibilities and expectations among network components as the Southern members know them? And how do these compare with the Katalysis’s intentions and to what degree have these been clearly and effectively transferred to the southern members? (Examples include: Southern partners’ views on governance, decision-making, and leadership related to the Partnership)

What are the activities and strategies of the partnership for promoting “best partnership practice”? To what degree is organizational learning taking place with regard to “partnership best practices?”

What are the identifiable mechanisms that distinguish the Katalysis partnership methodology? How effective are they?

Are the motivations for partnering clearly articulated? To what extent are members invested in creatively and strategically expanding the partnership?

How do southern Partners experience the combining of the collaborative spirit of partnership with the rigors of microcredit?

Are there any factors that contribute to or detract from network coherence?

Appendix 2: Evaluation Methods

Research Process:

1. Finalize in collaboration with Katalysis Partners, the list of questions to be addressed by the study. (See Appendix 1.)
2. Develop, with the full participation of Partners, appropriate protocols and key indicators to explore, in-depth, the questions to be addressed by the study. Develop stratified sampling methodology.
3. Conduct field research with local Partners in two countries (Honduras and Guatemala) – six of the current 11 Partners will receive site visits. One former Partner will be consulted as to its experience while being considered for full partnership in the network.
4. Review, validate and, as necessary, triangulate preliminary findings in with Partners. All Partners will hear and respond to the findings in an effort to correct any perceived errors and fill-in any gaps.
5. Prepare a comprehensive report summarizing findings from field-based research.
6. Present findings to Katalysis Management Team and Executive Committee.
7. Complete final written reports to the study and project sponsors – USAID and IDB/MIF project officers.

Basic Interview Protocol:

Name of interviewee:

Organization:

Date: Interviewer(s):

1. Identify (through a drawing) each element represented in the Katalysis Partnership Network.

[For each element noted]

2. Describe the element *in its ideal state* in terms of functions, values, and resources.
Describe the element *in its current state* in terms of functions, values, and resources.

[Four separate stories/anecdotes will be elicited for subsequent thematic and content analysis]

3. Tell a short story or share an anecdote that sheds light on:
 - a. The degree to which network *values* influence partners in their relationships with **each other**
 - b. The degree to which network *values* influence partners in their relationships with **clients** (borrowers)
 - c. The degree to which network *values* influence partners in their relationships with **any other stakeholder group**
 - d. The benefits of partnership
4. Why did your organization initially choose to become a member of the Katalysis Partnership Network? To what degree have these initial aspirations been realized?
5. Partnership networks have many functions to perform. In your opinion, what is the *best possible way* that the following functions can be carried out:
 - a. Recruiting partners
 - b. Maintaining standards of technical excellence among partners
 - c. Sustaining a partnership network
6. To what degree are there similarities or difference between these “best ways” that you’ve described for these three functions and current practice within the network? [Probe or give cues to ensure comments are offered regarding each of the three functions: partner recruitment; maintenance of technical standards; and network sustainability]
7. How good, in your opinion is the fit between the *collaborative spirit of partnership* and the *day-to-day challenges of operating high quality microcredit programs*? [Probe for sources of tension as well as complementarities]
8. Imagine a ten-point scale where 1 equals “11 totally separate organizations” and 10 equals “a fully integrated, seamless system.” Where would you place the current Katalysis Partnership

Network on this scale? Why? Using this same scale, where would you like to see the Network in five years? Why?

9. What, in your opinion, are the most important lessons that the Network has learned about partnering? What more—if anything—should the Network do in order to learn about “best practice” in the field of partnering?

10. What are your three most deeply felt wishes or hopes for the Network over the next five years?

Appendix 3: “Characteristics of participatory evaluation”

Characteristics of Participatory Evaluation

Participatory evaluations typically share several characteristics that set them apart from traditional evaluation approaches. These include:

Participant focus and ownership. Participatory evaluations are primarily oriented to the information needs of program stakeholders rather than of the donor agency. The donor agency simply helps the participants conduct their own evaluations, thus building their ownership and commitment to the results and facilitating their follow-up action.

Scope of Participation. The range of participants included and the roles they play may vary. For example, some evaluations may target only program providers or beneficiaries, while others may include the full array of stakeholders.

Participant negotiations. Participating groups meet to communicate and negotiate to reach a consensus on evaluation findings, solve problems and make plans to improve performance.

Diversity of views. View of all participants are sought and recognized. More powerful stakeholders allow participation of the less powerful.

Learning process. The process is a learning experience for participants. Emphasis is on identifying lessons learned that will help participants improve program implementation, as well as on assessment whether targets were achieved.

Flexible design. While some preliminary planning for the evaluation may be necessary, design issues are decided (as much as possible) in the participatory process. Generally, evaluation questions and data collection and analysis methods are determined by the participants, not by outside evaluators.

Empirical orientation. Good participatory evaluations are based on empirical data. Typically, rapid appraisal techniques are used to determine what happened and why.

Use of facilitators. Participants actually conduct the evaluation, not outside evaluators as is traditional. However, one or more outside experts usually serve as facilitator—that is, provide supporting roles as mentor, trainer, group processor, negotiator and/or methodologist.

From: “Conducting A Participatory Evaluation” *Performance Monitoring and Evaluation TIPS*. USAID Center for Development Information and Evaluation: 1996, Number 1 (PN-ABS-539). Available on-line at: http://www.dec.org/pdf_docs/PNABS539.pdf.

Appendix 4: Contacts

Field Interviews: Key Informants

Name	Position	Organization
Santa de Euceda	Executive Director	ODEF
Miguel Navarro	Sub-director	ODEF
Lenin Reyes	Head of credit	ODEF
Sulamita Martinez	Head of administration	ODEF
Daniel Martinez	Executive Director	Katalysis Honduras
Martha Maria Salgado	Microcredit specialist	Katalysis Honduras
Partricia Amadua	Program assistant	Katalysis Honduras
Nolvia Lizeth Lagos	Program assistant	Katalysis Honduras
Leonardo Alvarez	Rural enterprise specialist	Katalysis Honduras
Cecilia Bognon	Administrator	Katalysis Honduras
Xiomara Velásquez	Microcredit specialist	Katalysis Honduras
Roberto Ruiz Pineda	Executive Director	Auxilio Mundial
Eloisa S. Acosta	Executive Director	FAMA
Fabio Mauricio Nante H.	Administrator	FAMA
Milton Paz	Supervisor, solidarity credit	FAMA
María Teresa Henríquez	Supervisor, community banks	FAMA
Sonia Garcia	Supervisor, community banks	FAMA
Edgar Ramiro Bucaro Rosales	Executive Director	Genesis Empresarial
Reynold Walter	Executive Director	FAFIDESS
Catarina Mendoza Silvestre	Executive Director	MUDE
Gregorio Tzoc Norato	Executive Director	CDRO
Cesar Abraham Tocón Vásquez	Administrative/ Operational Director SFC-POP	CDRO

In addition to the field interviews, the researchers also met with all board members in attendance at the March 19-21, 2001 board meeting and the May 29, 2001 partner directors' meeting.

Appendix 5: Documents Consulted

Documents consulted in the preparation of this report:

- “A Manual on the Principles, Practices and Standards of Partnership,” created by Katalysis Partnership and updated as necessary. It includes the formal agreement of all Partners to abide by these principles, practices and standards in a memorandum of understanding (MOU).
- Katalysis Annual Board Meeting minutes and Partner Directors’ Board minutes
- Annual reports for USAID that document the Partnership Exchanges and training events and describe lessons learned in any given year
- Final evaluations for MG1 and MG2 that detail the growth of the Partnership from one Partner to six (and now in MG3 to eleven).
- Katalysis newsletters—“Field Notes” and “Bootstrap Bank Accounts”
- IDB/MIF Quarterly Reports
- IDB/MIF Evaluations.